

uncompleted projects appears infeasible within a reasonable time. None of the time periods referred to in this section are extended by any suspensions of project set-ups or other remedial action imposed by HUD under this part.

[61 FR 7062, Feb. 23, 1996]

#### § 511.34 [Reserved]

### Subpart E [Reserved]

### Subpart F—State Program

#### § 511.50 State election to administer a rental rehabilitation program.

(a) State allocations may be used to carry out eligible rehabilitation activities in accordance with the requirements of this part in units of general local government that do not receive allocations under subpart D and in cities and urban counties whose allocations are below the minimum amount specified in § 511.31, but may not be used in areas that are eligible for assistance under title V of the Housing Act of 1949, except as specified in paragraph (b) of this section.

(b) For Fiscal Years 1988 through 1991, uncommitted prior year funds may be used by State grantees, by units of general local government receiving funds from State grantees and by units of general local government participating in a HUD-administered State Program in areas eligible for assistance under title V of the Housing Act of 1949. This authority to enter into commitments with owners for projects in title V-eligible areas expires on September 30, 1991.

(Approved by the Office of Management and Budget under control number 2506–0080)

[55 FR 20050, May 14, 1990, as amended at 55 FR 36612, Sept. 6, 1990; 61 FR 7062, Feb. 23, 1996]

#### § 511.51 State-administered program.

(a) *Type of program.* A State may, in its discretion, use all or part of its rental rehabilitation grant amounts either:

(1) To carry out its own Rental Rehabilitation Program without the active participation of units of general local government;

(2) To distribute grant amounts to State recipients which independently select, enter into commitments with owners for, and manage projects; or

(3) To carry out mixed programs in which both the State and all or some units of general local government each perform specified program functions.

(b) *Sharing grant amounts for administration.* In programs under paragraphs (a)(2) and (a)(3) of this section, a State must share its grant amounts which are available for administrative costs with units of general local government administering the program with the State, under a written agreement as required by § 511.71.

(c) *State Program requirements.* State grantees shall be responsible for administering their rental rehabilitation grant amounts in accordance with all requirements of this part and other applicable laws, notwithstanding their use of units of general local governments to perform program functions under paragraph (a)(2) or (a)(3) of this section. In addition, States that use units of general local government to perform program functions shall:

(1) Ensure that units of general local government carry out their Rental Rehabilitation Program in accordance with requirements of this part and other applicable laws. States shall include in their agreements with their units of general local government such additional provisions as may be appropriate to ensure such compliance and to enable the State to carry out its responsibilities under this part, including the withdrawal and reallocation of rental rehabilitation grant amounts based on unit of general local government noncompliance (including State recipient failure to meet the schedule submitted by the State under § 511.20(b)(8)); and

(2) Conduct such reviews and audits of their units of general local government as may be appropriate to determine whether units of general local government, including State recipients, have carried out their programs in accordance with the requirements of this part, whether they have done so in a timely manner, and whether they

have a continuing capacity to do so in a timely manner.

(Approved by the Office of Management and Budget under control number 2506-0080)

[55 FR 20050, May 14, 1990, as amended at 61 FR 7062, Feb. 23, 1996]

#### **§ 511.52 [Reserved]**

### **Subpart G [Reserved]**

### **Subpart H—Grant Administration**

#### **§ 511.70 Responsibility for grant administration.**

Grantees are responsible for ensuring that rental rehabilitation grants are administered in accordance with the requirements of this part and other applicable laws. A grantee may enter into a written agreement with another unit of State or local government or with a non-governmental entity to administer specified functions under its Rental Rehabilitation Program to the extent not prohibited by HUD. If the grantee is contracting with a non-governmental entity to administer its program or to provide other services, such as cash management responsibilities, the grantee shall follow the procurement standards of 24 CFR 85.36. The use of other governmental units or private contractors does not relieve the grantee of its responsibility for ensuring compliance with this part and other applicable laws.

#### **§ 511.71 Administrative costs.**

(a) *Maximum amount.* Any grantee may use not to exceed 10 percent of the grant amount initially obligated to the grantee for Federal Fiscal Year 1988 and later fiscal years for administrative costs eligible under paragraphs (b) and (c) of this section. Eligible grantees may draw down funds to pay for eligible administrative costs through HUD's CMI System.

(b) *Eligibility.* Eligible administrative costs are reasonable and necessary costs, as described in OMB Circular A-87, incurred by the grantee itself, or by a unit of general local government pursuant to a written cost-sharing agreement with a State grantee (see § 511.51(b)), in carrying out the Rental Rehabilitation Program in accordance with this part. Administrative costs do

not include costs of rehabilitation which are incurred by and charged to project owners as eligible project costs under § 511.10(f)(2).

(c) *Written cost-sharing agreement.* A State grantee shall determine the amount of its rental rehabilitation grant that it will permit to be used for administrative expenses, not to exceed the maximum permitted by this section. The State grantee shall share the amount of its rental rehabilitation grant designated for administrative expenses with units of general local government that incur eligible administrative costs in carrying out the Rental Rehabilitation Program, whether the unit of general local government receives a distribution of funds from the State or selects and manages projects independently as a State recipient or whether it performs less comprehensive functions by agreement with the State. Before any eligible administrative expenses are incurred by a unit of general local government under a State's grant, the cost-sharing arrangement shall be specified in a written agreement between the State grantee and each unit of general local government that receives payment from the State for administrative expenses under this part. This agreement shall describe (whether very generally or more specifically) the functions that the unit of general local government shall perform and the terms and conditions under which the unit of general local government participates in the program, including the procedures by which the unit of general local government's compensation for its administrative expenses incurred in performing the authorized functions is to be calculated and paid. HUD will not review the relative sharing of administrative expenses between the State and affected units of general local government, but pursuant to §§ 511.74 and 511.80, it will review and audit the State's program on the eligibility of administrative expenses paid with program funds.

(d) *Allocation of benefit.* Rental rehabilitation grant amounts used for program administration will be deemed to meet program requirements imposed on a percentage of the annual grant basis, such as lower income benefit and